

Minerals Management Service

www.mms.gov

The Royalty-in-Kind Program

What is the MMS RIK Program?

Since 1982, the Minerals Management Service has accounted for and disbursed mineral revenues from Federal and American Indian leases, one of the largest sources of revenue to the U.S. Federal Treasury. These revenues amount to an average of \$7 billion annually.

The Royalty-in-Kind (RIK) program is a key aspect of revenue collecting activity. Through the RIK program, energy companies pay royalties to MMS in the form of oil or gas production rather than cash. MMS then sells the oil and gas in the marketplace and disburses the revenues or provides oil to the Department of Energy for the Strategic Petroleum Reserve (SPR).

In fiscal year 2005, the RIK program generated about \$32 million in additional revenue for the U.S. Treasury, a significantly larger amount than would have been received if the oil and gas had been collected in cash payments. A detailed comparison of the cost of collecting royalties “in kind” (collecting the government’s royalty percentage of the actual oil or gas produced) rather than “in value” (collecting the government’s royalty percentage of the revenues a company derives from selling its oil and gas) in fiscal year 2004 indicated that RIK costs were about one-third less than those for royalty in value activities, adding revenues to the U.S. Treasury and efficiency to the revenue accounting process.

RIK is a key component of MMS’s Strategic Business Planning Initiative, wherein future challenges are met through strategic planning that


emphasizes continuous improvement and the highest level of integrity coupled with strong internal controls. The RIK program is managed with the same high level of integrity as are the other financial management components of the mission: Financial Management and Audit Compliance.

RIK is Efficient

The increased use of RIK as a method of revenue collection has resulted in a decreased level of royalty uncertainty, as indicated by MMS’s internal evaluation of the program and by an analysis of the program by the Government Accounting Office (GAO).

Another highlight of the GAO analysis of RIK procedures is that no appeals or litigation were generated.





MMS manages offshore oil and gas exploration as well as renewable and alternative energy sources such as wind, wave, and solar on 1.76 billion acres of the Outer Continental Shelf while protecting the human, marine, and coastal environments. MMS also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, sharing revenues with states, American

Indians and individual lease holders, and the U.S. Treasury. The revenues are also contributed to the Land and Water Conservation Fund and other special use funds. In Fiscal Year 2006, disbursements were made of approximately \$12.8 billion, totaling nearly \$164.9 billion since 1982.

For more information on the Minerals Management Service, go to www.mms.gov.

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